Markets & Business

Dataquest halves growth

After the mobile handset market grew 38% to 412m units in 2000, Dataquest has almost halved its late-last-year forecast for 2001 from 576m (40%) to 506.5m (23%).

High levels of stock carried over in the US from last year are depressing sales in Q1/2001, but sales in Asia/Pacific remain strong. More than 500m is "still possible".

After Western Europe was the No. 1 region in 2000 (140.5m), in 2001 Asia/Pacific & Japan will grow 31% to No. 1 (169.6m). Western Europe will grow just 19% to 166.6m, North America 18% to 90.1m (with high levels of stock carried over from 2000 depressing Q1/2001), Latin America 17% to 42m, and the rest of Europe, Middle East and Africa 23% to 38.2m.

Compared to previous consensus of 1bn sales in the next few years, the market will grow steadily to 740m in 2005 (Asia/Pacific & Japan 280m; Western Europe 207m).

Past rapid growth rates concealed operational and strategic weaknesses among handset makers. Only those with strongly differentiated offerings will still thrive.

DoCoMo speeds up 4G

While already selling many 'i-mode' mobile Internet-enabled cell-phones (and intending to offer full 3G services by end-May), NTT DoCoMo is planning to bring forward the launch of its fourth-generation telecoms network (4G) by up to four years from 2010 to 2006. DoCoMo would like to impose its own technology as a *de facto* international standard.

4G cell-phones "will transmit data at 20 Mb/s (2000 times faster than existing mobiles and 10 times 3G) for high-resolution films and TV.

3G infrastructure revenues reckoned to surpass 2G by 2003

Global 2.5 & 3G network build-out will surpass 2G build-outs by revenue in 2003, according to a new study "*Global Next Generation Wireless Technology and Infrastructure Forecasts*" by The Strategis Group (Tel: +1-202-530-7500). WCDMA will be the global technology of choice (especially in Europe and Asia as they migrate from 2G to 3G) based on two key criteria: global roaming and easier migration to 4G.

In the US, although CDMA will remain the dominant technology, several operators have yet to announce a firm decision on a technology choice for their 3G networks.

The GSM platform (i.e. GSM, GPRS, EDGE and WCDMA) will grow from 63% of all base-stations worldwide now to over 70% in 2007 (WCDMA 30%).

Table. Projected Total 2G and 2.5G/3G Wireless Infrastructure Revenue: 2001-2007 (US$bn) Source: The Strategis Group Inc.

	2000	2001	2002	2003	2004	2005	2006	2007
2G	53.2	56.9	56.4	47.8	40.8	35.6	26.2	22.1
2.5G/3G	9.4	36.8	68.3	80.7	77.6	62.8	53.2	46.5

Forecast 2001 cell-phone sales reduced again to 450-500m; further job cuts

Due to the "stronger-than-anticipated impact of demanding market conditions" in the first two months of 2001, as well as "increased economic uncertainty (especially in the USA)", in March **Nokia** cut its forecast for for Q1/2001 revenue growth (compared to Q1/2000) from 25-30% to 20% (Nokia Networks up 30-35% but Nokia Mobile Phones up just 15-20%). It has also cut its forecast for total 2001 unit sales again from 500-550m (see Issue 2, page 4) to 450-500m.

Motorola has announced that it is cutting 7,000 more jobs from its cell-phone operation over the next two quarters (5% of its overall workforce of 140,000) bringing the total this year to 12,000 (36% of the unit's staff).

Projecttions for cell-phone sales for 2001 from various companies have now fallen from 500-600m earlier this year, through Motorola's sub-500m warning in February (see Issue 2, page 4), to below 450m from Siemens (just 10% up on last year's 410m).

After Q1/2001 sales up 32%, in February **Siemens** predicted strong growth. But in March "unexpectedly weak cell-phone and semiconductor" operations have led Siemens to retract. Chairman Heinrich von Pierer says that the weak areas will affect Infineon Technologies more than the rest of the group (so previous overall sales and profit targets will be met only if Infineon is excluded from results).

For Q1/2001 **Ericsson** now expects sales of phones lower than Q1/2000, total sales flat or lower (down from its January forecast of 15% growth), and its first quarterly loss in nine years (of US$500m, instead of breaking even).

While handsets comprise only 18% of sales, infrastructure (55%) is also slowing. Duc to delays in rolling out next-generation handsets (now Q4 rather than Q1/2001) and the economic slowdown, the US in particular is postponing capital expenditures. Also, in Western Europe (in markets with already high penetration and diminishing returns from the subsidies they offer to lure new customers) operators are delaying investments. Phone sales are suffering due to low replacement demand, reduced operator subsidies, high inventory levels in the distribution chain and continued price pressure due to excess vendor capacity.

Due to "excess inventory in distribution channels at the beginning of the year, as well as a general market slowdown", **Alcatel**'s handset division will make a loss in Q1/2001, amid "growing fears that the mobile phone market is becoming saturated". Telecoms carriers used to meet much of the initial purchase cost of handsets to stimulate demand, but are revising their strategy. In March Alcatel put half of its staff at a factory making cell phones in Germany on a week's leave.

Of Alcatel's total revenue, handsets comprise just 7% but total telecoms-related activities are 85%. Alcatel expects its networking and optical units to offset the drop, but investors are waiting to see whether the slowdown in the US economy will impact Europe, it says.